

HEALTHSMART BENEFIT SOLUTIONS

FLEXIBLE SPENDING ACCOUNTS FOR HEALTHCARE AND DEPENDENT CARE

What is a Flexible Spending Account?

Through a Flexible Spending Account, you are able to set aside money, before it is taxed, in order to pay for eligible out-of-pocket costs for dependent and medical care expenses.

There are two types of FSAs:

- ▶ Healthcare
- ▶ Dependent Care

The Benefits Debit MasterCard

The Alegeus Benefits Debit MasterCard® (Benefits Card) Program provides a way to immediately access the funds in your FSA. Remember, Internal Revenue Service (IRS) regulations strictly govern the use of these Benefits Cards, and you are solely liable for its use.

Requirements for Benefits Card usage

- ▶ The Benefits Card may be used to pay for eligible expenses under IRS guidelines, including: doctor's visit co-payments; prescription drug co-payments; medical plan deductibles; dependent daycare expenses (if dependent care account elected); eligible medical, dental, or vision expenses that are not covered by any other plan.
- ▶ The Benefits Card may be used to pay for eligible expenses at approved merchants that accept MasterCard®.
- ▶ Expenses are limited to your elected annual maximum.
- ▶ The Benefits Card must be used as a credit (not debit) transaction.
- ▶ You must keep copies of all receipts for which you use your Benefits Card. We may ask for them. If we do, and you fail to provide them, your Benefits Card may be temporarily inactivated, which means you will no longer be able to use your Benefits Card.

Online account access

Participants may track their account status, submit claims and print claim forms online. Simply log onto the following URL:

<https://healthsmart.wealthcareportal.com>

Click on "Register". Participants may create an account with their Employee ID that has been assigned by your plan administrator. This number could be your Health Plan Member number, Social Security number, an ID provided by your Employer or an Alternate ID created by HealthSmart. You will also need to know your Employer ID.

If you do not know your ID or your Employer ID, please contact HealthSmart.

Healthcare FSA

Set aside money in a Healthcare FSA for medical, dental and vision expenses incurred by you, your spouse and your dependents. Eligible expenses include deductibles, co-payments, prescription drugs, x-rays and lab **(be sure to check your Plan Document for specifics on what your Employer's Plan covers)**.

Dependent Care FSA

Through a Dependent Care FSA, you can pay for daycare expenses when these services allow you to work.



Here's an example that shows how you can save.

	With FSA	Without FSA
Annual Salary	\$40,000	\$40,000
FSA Contribution	-\$2,000	\$0
Taxable Income	\$38,000	\$40,000
Less Taxes Federal Income Tax (estimated 15%)	-\$8,607	-\$9,060
FICA 7.65%		
Less Out-of-Pocket Healthcare Expenses	\$0	-\$2,000
Take-Home Pay	\$29,393	\$28,940
Tax Savings	\$453	\$0

IRS Restrictions

- ▶ Participants cannot receive payment from any other source for reimbursement amounts requested – participants must certify that expenses are not reimbursable under any other coverage plan.
- ▶ Participants cannot claim reimbursed expenses for the purpose of income tax.
- ▶ Claims cannot be reimbursed until the service is rendered (regardless of when payment is made).
- ▶ Cosmetic procedures are not eligible (for example, teeth bleaching, weight reduction, hair loss, face lift, etc.)
- ▶ A healthcare account cannot be used to reimburse dependent care expenses.
- ▶ A dependent care account cannot be used to reimburse medical expenses.
- ▶ Participants cannot be reimbursed for dates of services that were incurred prior to their active date with the plan.
- ▶ As of January 1, 2011, over-the-counter medication is no longer eligible under The Patient Protection and Affordable Care Act unless accompanied by a physician's prescription.
- ▶ On October 31, 2013, the IRS ruled to remove the "use-or-lose" rule to make FSAs more consumer friendly and provide flexibility. Plan participants are now allowed to carry-over up to \$500 of their unused FSA balances remaining at the end of a plan year to the next plan year. The \$500 carry-over does not affect the maximum amount of salary reduction contributions that participants are permitted to make (currently \$2,650). ***Please check with your employer regarding this change to see if it is applicable to your plan.***
- ▶ Beginning January 1, 2018, the IRS has implemented an annual contribution limit of \$2,650 for healthcare FSAs. ***Please check with your employer regarding this change to see if it is applicable to your plan.***

An FSA allows you to set aside money, before it is taxed, in order to pay for eligible out-of-pocket costs for dependent and medical care expenses.

Changing Your Election

You can change your election once a year during the open enrollment period. It is important to know that federal law places restrictions on changing your election at other times during the year. For this reason, if you participate in the program, you are generally not allowed to change or cancel the amount you allocate until the next annual enrollment period.

- ▶ The events that might permit you to make a change are:
 - Family status changes, including your marriage or divorce, the birth or adoption of a child, or the death of your spouse or dependent.
 - Employment status changes, including a change in your spouse's employment status, a change in full-time vs. part-time employment status of either you or your spouse, or an unpaid leave of absence taken by either you or your spouse.
 - Note: Keep in mind that the only requirement is that the change you make must be consistent with the particular event that has occurred.

How it Works

- ▶ First, estimate how much money you will spend in the coming year for eligible healthcare and dependent care expenses.
- ▶ Once calculated, the FSA allows you to set aside a portion of money from your salary each payday.
- ▶ The amount you allocate to your account is taken out of your pay before taxes are calculated and withheld. That means that part of your pay that goes towards FSA is tax-free.
- ▶ When you pay for eligible healthcare and dependent care expenses during the year, you get reimbursed for them with the money you have set aside in your FSA. Since the money was set aside on a tax-free basis, you've saved the tax dollars you would have paid on earnings spent for healthcare and dependent care expenses.

FSA Worksheet

To help you estimate how much money to set aside in your upcoming FSA plan year for healthcare and dependent care expenses, use the FSA worksheet below to chart your last year's costs.



FSA Worksheet		
Type of Expense	Amount Spent Last Year	Estimated Amount for Upcoming Plan Year
Medical Care		
Physical Exams		
Deductibles		
Copayments		
Immunizations		
Well-Baby Care		
Prescription Drugs		
Dental Care		
Exams		
Crowns and Bridges		
Dentures		
Vision Care		
Exams		
Eyeglasses / Contacts		
Contact Lenses		
Other		

- ▶ To calculate how much you should have deducted from each payday for your FSA, divide your total estimated expenses for the coming year by the number of pay periods.

Eligible Expenses

Medical Expenses:

- ▶ Acupuncture
- ▶ Alcoholism treatment
- ▶ Ambulance
- ▶ Artificial limbs
- ▶ Autoette / wheelchair
- ▶ Bandages
- ▶ Breast reconstruction Surgery (following mastectomy from cancer)
- ▶ Birth control pills
- ▶ Braille book and magazines
- ▶ Chiropractor
- ▶ Christian Science Practitioner
- ▶ Crutches
- ▶ Deductible out of pocket responsibility (e.g. copay)
- ▶ Diagnostic services
- ▶ Disabled dependent medical care
- ▶ Drug addiction treatment
- ▶ Drugs and medicines
- ▶ Fertility treatment
- ▶ Guide dog
- ▶ Hearing aids
- ▶ Home care
- ▶ Hospital services
- ▶ Laboratory fees
- ▶ Lead based paint removal
- ▶ Maternity care & related services
- ▶ Meals for inpatient
- ▶ Medical information plan
- ▶ Medical services (i.e. physician, surgeon, etc.)
- ▶ Nursing home
- ▶ Nursing services
- ▶ Operations
- ▶ Organ donor's medical expenses
- ▶ Osteopath
- ▶ Over-the-Counter Medications (with a doctor's prescription)
- ▶ Oxygen
- ▶ Prosthesis
- ▶ Psychoanalysis
- ▶ Psychologist
- ▶ Special education
- ▶ Sterilization
- ▶ Stop-smoking programs
- ▶ Surgery
- ▶ Telephone/television for hearing-impaired
- ▶ Therapy
- ▶ Transplants
- ▶ Transportation for medical care
- ▶ Vasectomy
- ▶ Weight-loss program (specific disease diagnosed by doctor)
- ▶ Wheelchair
- ▶ Replacement hair lost due to illness
- ▶ X-ray

Dental Expenses

- ▶ Artificial teeth
- ▶ Dental treatment

Eye Care Expenses

- ▶ Eyeglasses
- ▶ Contact lenses
- ▶ Prescription sunglasses
- ▶ Eye examinations
- ▶ Eye surgery (for example, LASIK)
- ▶ Optometrist

Ineligible Expenses

Ineligible healthcare expenses include:

- Babysitting, childcare, and nursing services for a normal, healthy baby
- Controlled substances without a prescription
- Cosmetic surgery
- Dancing lessons
- Diaper services
- Electrolysis or hair removal
- Funeral expenses
- Hair transplant
- Health club dues
- Health coverage tax credit
- Household help
- Illegal operations and treatments
- Insurance premiums (for example, HMO premiums, Employer sponsored health insurance plan premiums)
- Maternity clothes
- Medical savings account (MSA)/ Health Saving Account (HSA) contributions
- Medicare B and D premiums
- Nutritional supplements
- Personal use items
- Swimming lessons
- Teeth whitening
- Veterinary fees
- Weight-loss program not part of specific disease treatment

You can file a claim for reimbursement by completing a paper claim form and mailing it, or you can file a claim quickly and easily online.



Paper Claims

Medical Expenses

- ▶ Complete a Flexible Spending Account (FSA) Healthcare Reimbursement Claim Form (available online).
- ▶ If the eligible expenses can be reimbursed through a healthcare plan, you must submit the expenses to that plan first. You will receive an Explanation of Benefits (EOB) statement, which explains the benefits paid and/or denied by your healthcare plan. Attach the EOB to the Flexible Spending Account (FSA) Reimbursement Claim Form.
- ▶ If the eligible expenses are not reimbursable by any other source, you must provide an itemized receipt, which contains all of the following information:
 - Service provider name/address
 - Date of service (date expense was incurred, not paid)
 - Itemized description of expense
 - Name of person who incurred expense
 - Amount of expense

Note: If your address has changed, be sure to check the box; otherwise, your payment could be mailed to the wrong address.

Dependent Care Expenses

- ▶ Complete a Flexible Spending Account (FSA) Dependent Care Reimbursement Claim Form (available online).
- ▶ Be sure to complete all information.
 - Be sure to get a signed receipt from your healthcare provider and attach to your completed form. Your provider must also sign the claim form.
- ▶ Provider receipt should list the following information:
 - Name, address, tax I.D. number, or social security number of provider of service; Name of dependent
 - Date of Birth for dependent
 - Service dates: from ___ to ___ (day/month/year, not paid date)
 - Amount paid for corresponding service dates/dependent care expenses

Electronic Claims

- ▶ Email claims to flexbenefits@healthsmart.com or submit via the participant portal.
- ▶ Attach a completed Flexible Spending Account (FSA) Healthcare Reimbursement Claim Form
- ▶ Attach an EOB or itemized statement

Important

Claims will not be processed without supporting documentation.

Please remember:

If reimbursed by another plan, be sure to attach an EOB to your reimbursement request

If not reimbursable by another plan, then attach receipt to reimbursement request.

Note: Cash register/charge card receipts, canceled checks, balance due bills, account ledger copies, etc. do not contain the required information and are not acceptable documentation.

Inventory Information Approval System (IIAS)

Important information regarding claim substantiation

Because FSA funds are tax-free, the IRS strictly regulates the plan. Part of the ruling requires that every claim be substantiated by a third-party; self-certification is not allowed. This means that participants cannot personally certify that the expense is valid - the certification must come from an independent source (for example, the provider or merchant from which the expenses originate).



In accordance with additional guidance provided by the IRS in 2006 (Notice 2007-2), all merchants that are not solely providing medical services, will be required to have an IIAS in place.

What does this mean?

This IIAS provides for real-time identification of items purchased. When participants swipe their Benefits Card at a participating store, the system will automatically sort the item(s) the employee is attempting to purchase, and will only allow payment via FSA funds for expenses that are eligible under the FSA. Any items that are not eligible under the FSA must be purchased using an alternative form of payment.

How will this impact me?

This is a huge benefit, because it eliminates the need for participants to submit receipts to validate their use of the Benefits Card at qualifying locations. Validation is accomplished electronically - thus, the expense is approved at the point of sale.

Frequently Asked Questions

How do I know how much money to contribute to my FSA?

We recommend that you take a look at last year's out-of-pocket expenses to get the best idea of how much to defer for this year. Please refer to the FSA worksheet in this brochure to help you determine your annual medical expenses.

How does the FSA work?

Your annual election will be divided equally among the number of pay periods for the year, and that amount will be deducted from your check prior to being taxed. With a Healthcare FSA, your entire election is available to you as of your effective date under the plan; this means that you can be reimbursed for eligible expenses up to the annual election as early as your effective date. As the plan year progresses, your payroll deductions will build in your account for future use, or will be utilized to reimburse the plan for expenses incurred earlier in the year.

For a Dependent Care FSA, you can only access the dollars contributed; the plan cannot "front" dollars for you.

What is the claims process?

Using the traditional reimbursement method, you would make a purchase for a covered expense and pay for it out-of-pocket. Then, you fill out a claim form and submit that to HealthSmart Benefit Solutions, along with the receipt. Once the claim is approved, you will receive a reimbursement check or direct deposit (if available) for that expense. In most cases, reimbursements are issued on a weekly basis.

What if my expenses exceed what I elected for the year?

You may only be reimbursed up to your annual election. If your expenses exceed this amount, you will need to pay the difference out-of-pocket, using taxed income. You may then consider electing more for the following plan year.

I'm considering enrolling for a Dependent Care FSA. Am I still eligible for the dependent care credit on my individual income tax return?

In some situations, you may use both your FSA and the tax credit. If you set aside tax-free money in an FSA to pay for only a portion of your yearly dependent day care expenses, you may take a tax credit based on some, or all, of the remaining amount. In this situation, the maximum amount of expenses you can consider in calculating your tax credit is reduced dollar-for-dollar by the amount you put in your FSA account. For example, if you set aside \$4,000 in an FSA for the care of your two children, but actually incur expenses of

\$4,800 for the year, you may be able to take a tax credit based on the remaining \$800. Be sure to check with your tax advisor regarding your specific tax situation.

How do I know how much I have left in my account?

Each time a reimbursement check or direct deposit is issued, your remaining balance is available on your check stub and/or Explanation of Payment (EOP). You may also setup a secure account online.

<https://healthsmart.wealthcareportal.com>

Can I change my election amount?

You cannot change your election amount during the plan year, unless you have a specified change in status (for example, marriage, divorce, widowed, birth of a child or adoption of a child). These changes in status reasons are found in Proposed Treasury Regulation 1.1.25-4. Visit the official IRS website at www.irs.gov for more details on allowable change in status reasons.

What if I no longer work for the company, and I still have money in my FSA?

You have a run-out period to submit claims for eligible expenses incurred while you were actively participating with the plan. You may file claims with HealthSmart Benefit Solutions for any remaining covered expenses.

In some cases, you may be eligible to continue coverage in the Healthcare FSA, on an after-tax basis. Consult your Plan Document to determine if this option is available.

Can I use my FSA to pay for over-the-counter items?

As of January 1, 2011, over-the-counter medication is only eligible under an FSA if it is accompanied by a physician's prescription. Please refer to the covered items listing in this brochure for further details.

May I use my FSA to pay for health insurance premiums?

You cannot use your FSA to pay for insurance premiums. If you participate in an employer-sponsored plan, these premiums are probably included under the Section 125 plan, meaning your contributions are made before taxes are calculated. However, individual, voluntary or other insurance premiums are never a covered expense under an FSA.

Frequently Asked Questions (contd.)

What if I don't owe anything at the point of sale (for example, at the doctor's office) but get a bill later?

Simply fill out a claim form and submit the bill, with a copy of your benefit plan's Explanation of Benefits (EOB) showing what the plan paid and/or denied to HealthSmart Benefit Solutions.

Can I use my FSA for my child in college?

Yes, as long as the child qualifies as a dependent in accordance with the plan.

What is a Letter of Medical Necessity?

The IRS mandates that eligible expenses be primarily for the diagnosis, treatment or prevention of disease or for treatment of conditions affecting any functional part of the body. For example, vitamins are not typically covered because they are used for general wellness, but your doctor may prescribe a vitamin to treat your medical condition. The vitamin would then be eligible if your doctor verified the necessity in treatment.

What is the deadline for submitting claims?

You can submit claims for reimbursement at any time during the same plan year that you incur the expense. You may also have a grace period at the end of the plan year.

Please check with your employer regarding this provision to see if it is applicable to your plan.

How long is my card valid?

If your plan offers a debit card, as long as you do not have a break in participation, you can use your card for multiple years. Each card is printed with an expiration date. If you are still a participant when your card expires, a new card will be automatically mailed to you.

What if I have my spouse's insurance; can I still participate in my employer-sponsored FSA?

Yes, you do not have to participate in your employer's benefits programs to be eligible for the FSA plan. In addition, you can file expenses under the FSA for all of your eligible dependents, regardless of whether or not they are covered under your or your spouse's employer-sponsored benefits plans.



How can we help?

Email: flexbenefits@healthsmart.com

Phone: 844.516.3658

Fax: 844.319.3669

<https://healthsmart.wealthcareportal.com>

HealthSmart Benefit Solutions
P.O. Box 16647
Lubbock, TX 79490-6647

